

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Pentwater Township	County OCEANA
Audit Date 03/31/04	Opinion Date 06/28/04	Date Accountant Report Submitted to State: 07/12/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Layton & Richardson, P.C.			
Street Address 1000 Coolidge Rd	City East Lansing	State MI	ZIP 48823
Accountant Signature Michael A. Richardson			

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Layton & Richardson, P.C.

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INDEPENDENT AUDITORS' REPORT

Pentwater Township Board
Pentwater Township
Pentwater, Michigan

We have audited the general purpose financial statements of THE TOWNSHIP OF PENTWATER, MICHIGAN as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, as set forth by the U.S. General Accounting Office in Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities and Functions. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Pentwater, Michigan as of March 31, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated June 28, 2004 on our consideration of the Township of Pentwater, Michigan's internal control structure, and a report dated June 28, 2004 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the general purpose financial statements of the Township of Pentwater, Michigan. The information has been subjected to the auditing procedures applied in the audits of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Layton + Richardson P.C.
Certified Public Accountants

East Lansing, Michigan
June 28, 2004

TOWNSHIP OF PENTWATER, MICHIGAN
TOWNSHIP BOARD
LIST OF PRINCIPAL INDIVIDUALS

<u>Elected Official</u>	<u>Position</u>
Daniel Ellinger	Supervisor
Barbara Burke	Clerk
Janice Siska	Treasurer
Terry Cluchey	Trustee
Mike Flynn	Trustee

TOWNSHIP OF PENTWATER, MICHIGAN
ALL FUND TYPES AND ACCOUNT GROUPS
COMBINED BALANCE SHEET
MARCH 31, 2004

	GOVERNEMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL
ASSETS			
Cash and cash equivalents	\$ 299,399	\$ 240,167	\$ 89,343
Accounts receivable		26	
Due from county/city	14,170	12,129	
Land, buildings and equipment			
Due from other funds	733		
TOTAL ASSETS	\$ 314,302	\$ 252,322	\$ 89,343
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 7,550	\$ 1,542	\$
Accrued sick pay		7,430	
Accrued payroll taxes	1,977	2,394	
Due to other funds			
TOTAL LIABILITIES	9,527	11,366	
FUND EQUITY			
Investment in general fixed assets		587	
Fund balance - designated	304,775	240,369	89,343
Fund balance - undesignated			
TOTAL FUND EQUITY	304,775	240,956	89,343
TOTAL LIABILITIES AND FUND EQUITY	\$ 314,302	\$ 252,322	\$ 89,343

See accompanying notes to financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTAL (MEMORANDUM ONLY)
TAX ACCOUNT	GENERAL FIXED ASSETS	
\$ 2,385	\$	\$ 631,294
		26
	1,066,012	26,299
		1,066,012
		733
<u>\$ 2,385</u>	<u>\$ 1,066,012</u>	<u>\$ 1,724,364</u>
\$ 1,652	\$	\$ 10,744
		7,430
		4,371
733		733
<u>2,385</u>		<u>23,278</u>
	1,066,012	1,066,012
		587
		634,487
	<u>1,066,012</u>	<u>1,701,086</u>
<u>\$ 2,385</u>	<u>\$ 1,066,012</u>	<u>\$ 1,724,364</u>

TOWNSHIP OF PENTWATER, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL	SPECIAL REVENUE	CAPITAL	TOTAL (MEMORANDUM ONLY)
REVENUES				
Taxes	\$ 167,534	\$ 160,408	\$	\$ 327,942
State grants	38,319	2,319		40,638
Private contributions		897	3,169	4,066
Charges for services	41,887	899		42,786
Sales		4,170		4,170
Fees and fines		20,114		20,114
Interest	4,010	585	845	5,440
Other	9,793	458		10,251
TOTAL REVENUES	<u>261,543</u>	<u>189,850</u>	<u>4,014</u>	<u>455,407</u>
EXPENDITURES				
Legislative	2,340			2,340
General government	317,986	67,322	3	385,311
Public safety	15,461			15,461
Public works	22,404			22,404
Health and welfare	11,631			11,631
Recreation and culture		119,338		119,338
TOTAL EXPENDITURES	<u>369,822</u>	<u>186,660</u>	<u>3</u>	<u>556,485</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	<u>(108,279)</u>	<u>3,190</u>	<u>4,011</u>	<u>(101,078)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			15,500	15,500
Transfers out		(15,500)		(15,500)
TOTAL OTHER FINANCING SOURCES (USES)		<u>(15,500)</u>	<u>15,500</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)	<u>(108,279)</u>	<u>(12,310)</u>	<u>19,511</u>	<u>(101,078)</u>
FUND BALANCE, APRIL 1	<u>413,054</u>	<u>253,266</u>	<u>69,832</u>	<u>736,152</u>
FUND BALANCE, MARCH 31	<u>\$ 304,775</u>	<u>\$ 240,956</u>	<u>\$ 89,343</u>	<u>\$ 635,074</u>

See accompanying notes to financial statements.

TOWNSHIP OF PENTWATER, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	GENERAL FUND		
	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 155,312	\$ 167,534	\$ 12,222
State grants	40,580	38,319	(2,261)
Private contributions			
Charges for services	56,091	41,887	(14,204)
Sales			
Fees and fines			
Interest	8,000	4,010	(3,990)
Other	8,110	9,793	1,683
TOTAL REVENUES	<u>268,093</u>	<u>261,543</u>	<u>(6,550)</u>
EXPENDITURES			
Legislative	2,800	2,340	460
General government	197,452	317,986	(120,534)
Public safety	12,447	15,461	(3,014)
Public works	44,394	22,404	21,990
Health and welfare	11,000	11,631	(631)
Recreation and culture			
TOTAL EXPENDITURES	<u>268,093</u>	<u>369,822</u>	<u>(101,729)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS		<u>(108,279)</u>	<u>(108,279)</u>
OTHER FINANCING USES			
Transfers out			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES (USES)		<u>(108,279)</u>	<u>(108,279)</u>
FUND BALANCE, APRIL 1	<u>413,054</u>	<u>413,054</u>	
FUND BALANCE, MARCH 31	<u>\$ 413,054</u>	<u>\$ 304,775</u>	<u>\$ (108,279)</u>

See accompanying notes to financial statements.

SPECIAL REVENUE FUNDS			TOTALS		
AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 159,142	\$ 160,408	\$ 1,266	\$ 314,454	\$ 327,942	\$ 13,488
2,265	2,319	54	42,845	40,638	(2,207)
770	897	127	770	897	127
1,800	899	(901)	57,891	42,786	(15,105)
4,000	4,170	170	4,000	4,170	170
19,705	20,114	409	19,705	20,114	409
1,200	585	(615)	9,200	4,595	(4,605)
405	458	53	8,515	10,251	1,736
<u>189,287</u>	<u>189,850</u>	<u>563</u>	<u>457,380</u>	<u>451,393</u>	<u>(5,987)</u>
			2,800	2,340	460
83,645	67,322	16,323	281,097	385,308	(104,211)
			12,447	15,461	(3,014)
			44,394	22,404	21,990
			11,000	11,631	(631)
<u>125,443</u>	<u>119,338</u>	<u>6,105</u>	<u>125,443</u>	<u>119,338</u>	<u>6,105</u>
<u>209,088</u>	<u>186,660</u>	<u>22,428</u>	<u>477,181</u>	<u>556,482</u>	<u>(79,301)</u>
<u>(19,801)</u>	<u>3,190</u>	<u>22,991</u>	<u>(19,801)</u>	<u>(105,089)</u>	<u>(85,288)</u>
<u>(15,589)</u>	<u>(15,500)</u>	<u>89</u>	<u>(15,589)</u>	<u>(15,500)</u>	<u>89</u>
(35,390)	(12,310)	23,080	(35,390)	(120,589)	(85,199)
<u>253,266</u>	<u>253,266</u>		<u>666,320</u>	<u>666,320</u>	
<u>\$ 217,876</u>	<u>\$ 240,956</u>	<u>\$ 23,080</u>	<u>\$ 630,930</u>	<u>\$ 545,731</u>	<u>\$ (85,199)</u>

TOWNSHIP OF PENTWATER, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the Township's significant accounting policies applied in the presentation of the accompanying financial statements follows. The accounting practices followed by the Township are those prescribed by the State of Michigan.

A. Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions, except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township of Pentwater. Revenues are derived primarily from property taxes, state distributions and interest on investments.

Special Revenue Funds - These funds are used to account for specific governmental revenues requiring separate accounting because of the legal or regulatory provisions or administrative action. The Cemetery and Library Fund are special revenue funds for the Township.

Capital Funds - This fund is used to account for financial resources to be provided for the possible future expansion of the library facilities.

FIDUCIARY FUNDS

Agency Funds - These funds are used to account for assets held as an agent for others. Agency funds are custodial in nature and do not involve measurement of results of operation. The Tax Account is the only agency fund for the Township.

ACCOUNT GROUPS

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the Township.

B. Basis of Accounting

All governmental funds utilize the modified accrual basis of accounting. Modification in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

TOWNSHIP OF PENTWATER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting - Continued

2. Cash and Cash Equivalents

The Township considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents. Cash equivalents consisted of certificates of deposits as of March 31, 2004.

3. Inventory of Supplies

Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

4. Prepaid Expenses

Normally, expenditures are not divided between years by the recording of prepaid expenses.

5. Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized. No depreciation has been provided on general fixed assets.

The account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

6. Property Tax Revenue Recognition

Properties are assessed as of December 31, and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls.

TOWNSHIP OF PENTWATER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting - Continued

7. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. Prior to March 31, the Township board reviews a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to April 1 the budget is legally adopted.
4. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with U.S. generally accepted accounting principles.
5. The budgets were amended during the year by Board resolution at the monthly meetings.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year ended March 31, 2004, the Township incurred expenditures in excess of the amount appropriated as follows:

FUND	FUNCTION/ACTIVITY	AMENDED BUDGET	ACTUAL	UNFAVORABLE
General	Board of review	\$ 1,304	\$ 1,872	\$ (568)
	Treasurer	23,354	23,570	(216)
	Township hall	89,059	214,043	(124,984)
	Charter communications	300	2,070	(1,770)
	Zoning and planning commission	7,364	8,119	(755)
	Assessor plot	4,153	4,648	(495)
	Health and welfare	11,000	11,631	(631)
Cemetery	Committee member	1,250	1,400	(150)
	Supplies	1,500	1,581	(81)
	Miscellaneous	500	503	(3)

TOWNSHIP OF PENTWATER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Continued
MARCH 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Basis of Accounting - Concluded

8. Reporting Entity

The financial statements include all activities of the Township. There are no other governmental departments, agencies, institutions, commissions, public authorities or organizations within the Township, which its elected officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Township's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Component units are reported in the Township's financial statements as follows:

<u>Blended Units</u>	<u>Description of Activities and Relationship</u>
Pentwater Township Library Fund	Finance and operate the Township Library. Township collects the taxes.
<u>Blended Units</u>	<u>Description of Activities and Relationship</u>
Pentwater Township Cemetery	Finance and operate the Township Cemetery. Township approves all financial decisions.

NOTE 2: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	TOTAL 04-01-03	ADDITIONS	DEDUCTIONS	TOTAL 03-31-04
Library building	\$ 348,632	\$	\$	\$ 348,632
Town Hall - building	81,985	155,259		237,244
Land and improvements	44,304	52,560		96,864
Furniture and equipment	314,947	6,188		321,135
Sewer project	62,137			62,137
Total	<u>\$ 852,005</u>	<u>\$ 214,007</u>	<u>\$</u>	<u>\$ 1,066,012</u>
Investments in general fixed assets				<u>\$ 1,066,012</u>

TOWNSHIP OF PENTWATER, MICHIGAN
NOTES TO FINANCIAL STATEMENTS - Concluded
MARCH 31, 2004

NOTE 3: CASH AND INVESTMENTS

The Township maintains individual cash and investment accounts. Each fund type portion is displayed on the combined balance sheet as "cash" and "investments" under each fund's caption. Cash - all cash deposits are held in the Township's own name.

The Township has deposits with carrying amounts in excess of federal depository insurance at various times during the year.

	CASH AND CASH EQUIVALENTS	PETTY CASH
General	\$ 299,299	\$ 100
Cemetery	93,928	
Library	235,532	50
Tax account	<u>2,385</u>	<u> </u>
	<u>\$ 631,144</u>	<u>\$ 150</u>

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

FUND	INTERFUND RECEIVABLES	FUND	INTERFUND PAYABLES
General	\$ <u>733</u>	Tax Account	\$ <u>733</u>

NOTE 5: FUND BALANCE DESIGNATIONS

Designations of unreserved fund balances in governmental funds indicate the Township's tentative plans for use of financial resources in a future period.

NOTE 6: TOTAL COLUMNS ON COMBINED STATEMENTS - OVERVIEW

Total columns on the combined statements - overview are captioned memorandum only to indicate that they are presented only to facilitate financial analysis; data in these columns do not present financial position in accordance with U.S. generally accepted accounting principles. Neither is such data comparable to consolidation; interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes			
Taxes - 2003 levy	\$ 150,896	\$ 163,557	\$ 12,661
Trailer taxes	2,916	1,323	(1,593)
Payment in lieu of taxes	1,500	1,475	(25)
Penalties and interest		1,179	1,179
Total Taxes	<u>155,312</u>	<u>167,534</u>	<u>12,222</u>
State grants			
Shared revenues	40,000	37,752	(2,248)
Liquor control	580	567	(13)
Total State grants	<u>40,580</u>	<u>38,319</u>	<u>(2,261)</u>
Charges for services			
PTAF and collection fees	47,691	33,580	(14,111)
Licenses and permits	2,400	1,644	(756)
Transfer station	6,000	6,663	663
Total Charges for services	<u>56,091</u>	<u>41,887</u>	<u>(14,204)</u>
Other revenue			
Interest	8,000	4,010	(3,990)
Refunds and rebates	100		(100)
Franchise fees	5,260	7,465	2,205
Sales of miscellaneous property		563	563
Miscellaneous	2,750	1,765	(985)
Total Other revenue	<u>16,110</u>	<u>13,803</u>	<u>(2,307)</u>
TOTAL REVENUES	<u>268,093</u>	<u>261,543</u>	<u>(6,550)</u>
EXPENDITURES			
LEGISLATIVE			
Township Board			
Township Board trustee wages	2,600	2,247	353
Township Board trustee fringes	200	93	107
TOTAL LEGISLATIVE	<u>2,800</u>	<u>2,340</u>	<u>460</u>
GENERAL GOVERNMENT			
Supervisor			
Salaries and wages	8,912	8,884	28
Fringe benefits	675	680	(5)
Total Supervisor	<u>9,587</u>	<u>9,564</u>	<u>23</u>

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES - Continued			
GENERAL GOVERNMENT - Concluded			
Election			
Election wages	\$ 1,000	\$	\$ 1,000
Miscellaneous	200	10	190
Total Election	<u>1,200</u>	<u>10</u>	<u>1,190</u>
Assessor			
Salaries and wages	<u>32,960</u>	<u>32,960</u>	
Assessor's plat 4			
Professional services	<u>3,000</u>	<u>397</u>	<u>2,603</u>
Clerk			
Salaries and wages	34,338	33,065	1,273
Fringe benefits	<u>2,650</u>	<u>2,505</u>	<u>145</u>
Total Clerk	<u>36,988</u>	<u>35,570</u>	<u>1,418</u>
Board of review			
Salaries and wages	1,210	1,739	(529)
Fringe benefits	<u>94</u>	<u>133</u>	<u>(39)</u>
Total Board of review	<u>1,304</u>	<u>1,872</u>	<u>(568)</u>
Treasurer			
Salaries and wages	21,983	21,895	88
Fringe benefits	<u>1,371</u>	<u>1,675</u>	<u>(304)</u>
Total Treasurer	<u>23,354</u>	<u>23,570</u>	<u>(216)</u>
Township hall			
Supplies	5,500	5,321	179
Professional services	18,580	26,305	(7,725)
Dues and subscriptions	2,500	2,073	427
Insurance and bonds	4,714	4,714	
Printing and publishing	3,200	2,996	204
Utilities and telephone	3,200	3,331	(131)
Repairs and maintenance	12,200	11,425	775
Capital outlay	36,165	155,259	(119,094)
Travel	1,000	736	264
Education and training	1,500	1,552	(52)
Miscellaneous	<u>500</u>	<u>331</u>	<u>169</u>
Total Township hall	<u>89,059</u>	<u>214,043</u>	<u>(124,984)</u>
TOTAL GENERAL GOVERNMENT	<u>197,452</u>	<u>317,986</u>	<u>(120,534)</u>

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Continued
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES - Concluded			
PUBLIC SAFETY			
Police - liquor control			
Salaries and wages	\$ 580	\$ 580	\$
Fringe benefits	50	44	6
Total Police - liquor control	630	624	6
Charter communications			
Professional services	300	2,070	(1,770)
Zoning and planning commission			
Salaries and wages	6,840	7,542	(702)
Fringe benefits	524	577	(53)
Total Zoning and planning commission	7,364	8,119	(755)
Assessor plat			
Master plan pay	2,153	1,985	168
Professional services	2,000	2,663	(663)
Total Assessor plat	4,153	4,648	(495)
TOTAL PUBLIC SAFETY	12,447	15,461	(3,014)
PUBLIC WORKS			
Street lighting	500	433	67
Highway, streets and bridges			
Repairs and maintenance	2,500	2,089	411
Capital outlay	23,206	4,190	19,016
Total Highway, streets and bridges	25,706	6,279	19,427
Sanitation			
Salaries and wages	4,818	4,446	372
Fringe benefits	370	340	30
Repairs and maintenance	3,000	1,790	1,210
Landfill rental	10,000	9,116	884
Total Sanitation	18,188	15,692	2,496
TOTAL PUBLIC WORKS	44,394	22,404	21,990
HEALTH AND WELFARE			
Recreation fund			
Repairs and maintenance	6,000	10,930	(4,930)
Capital outlay	5,000	701	4,299
TOTAL HEALTH AND WELFARE	11,000	11,631	(631)

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - Concluded
GENERAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
TOTAL EXPENDITURES	\$ <u>268,093</u>	\$ <u>369,822</u>	\$ <u>(101,729)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES		(108,279)	(108,279)
FUND BALANCE, APRIL 1	<u>413,054</u>	<u>413,054</u>	<u> </u>
FUND BALANCE, MARCH 31	\$ <u><u>413,054</u></u>	\$ <u><u>304,775</u></u>	\$ <u><u>(108,279)</u></u>

TOWNSHIP OF PENTWATER, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

MARCH 31, 2004

	CEMETERY	LIBRARY	TOTAL
ASSETS			
Cash	\$ 93,928	\$ 146,239	\$ 240,167
Accounts receivable		26	26
Due from county	<u>3,238</u>	<u>8,891</u>	<u>12,129</u>
TOTAL ASSETS	<u><u>\$ 97,166</u></u>	<u><u>\$ 155,156</u></u>	<u><u>\$ 252,322</u></u>
LIABILITIES			
Accounts payable	\$ 113	\$ 1,429	\$ 1,542
Accrued sick pay		7,430	\$ 7,430
Payroll taxes	<u>247</u>	<u>2,147</u>	<u>2,394</u>
TOTAL LIABILITIES	<u>360</u>	<u>11,006</u>	<u>11,366</u>
FUND EQUITY			
Fund balance			
Designated - books		587	587
Undesignated	<u>96,806</u>	<u>143,563</u>	<u>240,369</u>
TOTAL FUND EQUITY	<u>96,806</u>	<u>144,150</u>	<u>240,956</u>
TOTAL LIABILITIES AND FUND EQUITY	<u><u>\$ 97,166</u></u>	<u><u>\$ 155,156</u></u>	<u><u>\$ 252,322</u></u>

TOWNSHIP OF PENTWATER, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - ALL SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	CEMETERY	LIBRARY	TOTAL
REVENUES			
Taxes	\$ 42,724	\$ 117,684	\$ 160,408
State grants		2,319	2,319
Private contributions		897	897
Charges for services	899		899
Sales	4,170		4,170
Fees and fines		20,114	20,114
Interest	585		585
Other	1	457	458
TOTAL REVENUES	<u>48,379</u>	<u>141,471</u>	<u>189,850</u>
EXPENDITURES			
General government	67,322		67,322
Recreation and culture		119,338	119,338
TOTAL EXPENDITURES	<u>67,322</u>	<u>119,338</u>	<u>186,660</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES	(18,943)	22,133	3,190
OTHER FINANCING USES			
Transfers out		(15,500)	(15,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER USES	(18,943)	6,633	(12,310)
FUND BALANCE, APRIL 1	<u>115,749</u>	<u>137,517</u>	<u>253,266</u>
FUND BALANCE, MARCH 31	<u>\$ 96,806</u>	<u>\$ 144,150</u>	<u>\$ 240,956</u>

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CEMETERY FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 41,250	\$ 42,724	\$ 1,474
Charges for services	1,800	899	(901)
Sales	4,000	4,170	170
Interest	1,200	585	(615)
Other	5	1	(4)
TOTAL REVENUE	<u>48,255</u>	<u>48,379</u>	<u>124</u>
EXPENDITURES			
Committee member	1,250	1,400	(150)
Salaries and wages	12,000	8,969	3,031
Fringes	1,000	682	318
Supplies	1,500	1,581	(81)
Professional services	500	225	275
Dues and subscriptions	25	25	
Insurance and bonds	1,500	965	535
Printing and publishing	200	77	123
Utilities	1,500	842	658
Repairs and maintenance	15,000	3,603	11,397
Capital outlay	48,370	48,370	
Transportation and travel	200	80	120
Education and training	100		100
Miscellaneous	500	503	(3)
TOTAL EXPENDITURES	<u>83,645</u>	<u>67,322</u>	<u>16,323</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(35,390)	(18,943)	16,447
FUND BALANCE, APRIL 1	<u>115,749</u>	<u>115,749</u>	
FUND BALANCE, MARCH 31	\$ <u>80,359</u>	\$ <u>96,806</u>	\$ <u>16,447</u>

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
LIBRARY FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 117,892	\$ 117,684	\$ (208)
State grants	2,265	2,319	54
Private contributions	770	897	127
Fees and fines	19,705	20,114	409
Other	400	457	57
TOTAL REVENUE	<u>141,032</u>	<u>141,471</u>	<u>439</u>
EXPENDITURES			
Salaries and fringe benefits	76,388	71,764	4,624
Library materials	18,277	17,877	400
Office supplies and postage	3,000	2,874	126
Contract and professional services	8,000	7,453	547
Communications	2,968	2,795	173
Utilities and maintenance	7,710	7,564	146
Capital outlay	5,500	5,487	13
Miscellaneous	3,600	3,524	76
TOTAL EXPENDITURES	<u>125,443</u>	<u>119,338</u>	<u>6,105</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING USES	15,589	22,133	6,544
OTHER FINANCING USES			
Transfers out	<u>(15,589)</u>	<u>(15,500)</u>	<u>89</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES		6,633	6,633
FUND BALANCE, APRIL 1	<u>137,517</u>	<u>137,517</u>	
FUND BALANCE, MARCH 31	<u>\$ 137,517</u>	<u>\$ 144,150</u>	<u>\$ 6,633</u>

TOWNSHIP OF PENTWATER, MICHIGAN
BALANCE SHEET
LIBRARY CAPITAL FUND
MARCH 31, 2004

ASSETS

Cash

\$ 89,343

LIABILITIES

Fund balance

\$ 89,343

TOWNSHIP OF PENTWATER, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - LIBRARY CAPITAL FUND
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

REVENUES	
Non-restricted gifts	\$ 3,169
Interest income	845
TOTAL REVENUES	<u>4,014</u>
EXPENDITURES	
Other	<u>3</u>
TOTAL EXPENDITURES	<u>3</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE TRANSFERS	4,011
OTHER FINANCING SOURCES	
Transfers in	<u>15,500</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES	19,511
FUND BALANCE, APRIL 1	<u>69,832</u>
FUND BALANCE, MARCH 31	\$ <u><u>89,343</u></u>

TOWNSHIP OF PENTWATER, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES - ALL AGENCY FUNDS
FOR THE FISCAL YEAR ENDED MARCH 31, 2004

	BALANCE 4-01-03	ADDITIONS	DEDUCTIONS	BALANCE 3-31-04
ASSETS				
Cash	\$ <u>4,318</u>	\$ <u>3,950,535</u>	\$ <u>3,952,468</u>	\$ <u>2,385</u>
LIABILITIES				
Due to other funds	\$ 2,078	\$ 325,558	\$ 326,903	\$ 733
Due to county and ISD		1,577,451	1,577,451	
Due to schools		1,327,110	1,327,110	
Due to village		109,021	109,021	
Due to state		606,593	606,593	
Accounts payable	<u>2,240</u>	<u>4,802</u>	<u>5,390</u>	<u>1,652</u>
TOTAL LIABILITIES	\$ <u>4,318</u>	\$ <u>3,950,535</u>	\$ <u>3,952,468</u>	\$ <u>2,385</u>



Layton & Richardson, P.C.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Pentwater Township Board
Pentwater Township
Pentwater, Michigan

We have audited the general purpose financial statements of THE TOWNSHIP OF PENTWATER, MICHIGAN as of and for the year ended March 31, 2004, and have issued our report thereon dated June 28, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

Compliance

As part of obtaining reasonable assurance about whether the Township of Pentwater, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Pentwater, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Pentwater Township in a separate communication dated June 28, 2004.

This report is intended for the information of management of the Pentwater Township. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Layton + Richardson PC

Certified Public Accountants

East Lansing, Michigan
June 28, 2004



Layton & Richardson, P.C.

Certified Public Accountants

LETTER OF COMMENTS AND RECOMMENDATIONS

Pentwater Township Board
Pentwater Township
Pentwater, Michigan

We have audited the financial statements of PENTWATER TOWNSHIP, MICHIGAN, for the year ended March 31, 2004, and have issued our report thereon dated June 28, 2004. As part of the audit process, we tested and evaluated the system of internal accounting controls and the procedures used to record the financial transactions of the Township of Pentwater, Michigan. These tests and evaluations are important to the audit process because they serve as the basis for our opinion on the reliability and accuracy of the financial statements.

Although we did not observe any material errors or weaknesses in accounting or financial management, the following recommendations are intended to improve the efficiency and effectiveness of control procedures:

PRIOR YEAR RECOMMENDATIONS

Cash receipts

When payments are received, the method of payment is not noted on the receipt. We suggest that the method of payment be recorded on the cash receipt. **This has been implemented.**

Cash Disbursements

During our review of paid invoices, we noted one check that paid for several invoices. Two of these invoices were not actually paid with the check because the wrong items had been ordered. We recommend that when a bill is to be disregarded, "DO NOT PAY" along with the reason not to pay be noted on the invoice. **This has been implemented.**

CURRENT YEAR RECOMMENDATIONS

Cash Disbursements

Before invoices are paid they should be initialed by either the Clerk, Deputy Clerk or the Treasurer. This procedure is essential for a proper review of the Townships invoices.

Budgets

The budget should be amended at least four times a year with the final amendments made during the March meeting preceding the year end.

We are grateful to the officials and employees of Pentwater Township for the assistance and cooperation which we received during the audit, and we thank them.

Layton & Richardson P.C.
Certified Public Accountants

East Lansing, Michigan
June 28, 2004

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